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**THE IMPACT OF RISING
HOME HEATING COSTS ON FAMILIES IN
NORTH CAROLINA'S 1ST CONGRESSIONAL DISTRICT**

PREPARED FOR REP. G.K. BUTTERFIELD

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EXECUTIVE SUMMARY

The costs of home heating fuels — natural gas, heating oil, and propane — have increased steadily over the last four years. Cost increases have been especially steep in the last year, as heating fuel prices rose to record highs in the aftermath of Hurricanes Katrina and Rita and moved higher still in December 2005. These increased prices will have a significant impact on family budgets, with the U.S. Energy Information Administration predicting that heating costs will increase by hundreds of dollars for most families.

At the request of Rep. G.K. Butterfield, this report analyzes the impact these rising costs will have on families in North Carolina's 1st Congressional District. The report finds that the increases in heating costs will affect over one hundred thousand families in the district and cost tens of millions of dollars. Specifically, the report finds:

- **Increased heating costs will affect over 100,000 local families.** There are 44,000 families in Rep. Butterfield's district that rely on natural gas for their home heating. Natural gas costs for these families are expected to be almost \$500 higher than they were four years ago — and over \$250 higher than they were just last year. Over the last four years, natural gas heating costs have risen by 115% for families in Rep. Butterfield's district, almost ten times faster than the inflation rate. An additional 80,000 families in the district use heating oil or propane to heat their homes. These families will also face steep price increases.
- **Increased heating costs will cost local families over \$60 million.** In total, the 125,000 local families affected by rising prices for natural gas, propane, and heating oil are likely to pay \$62 million more to heat their homes this winter than they did four years ago. In the event of a cold winter, total cost increases could be almost \$100 million for local families, almost \$800 per family higher than the costs four years ago.
- **Over 70,000 local families that are eligible for federal heating assistance are unlikely to receive it.** The federal Low Income Heating and Energy Assistance Program (LIHEAP) was created to provide financial assistance to low-income seniors and families that would otherwise struggle to pay their heating bills. Because of lack of funding, an estimated 71,000 families in Rep. Butterfield's district that are eligible for such assistance will not be able to receive it.

BACKGROUND

In the last four years, prices for home heating fuels — natural gas, propane, and heating oil — have increased dramatically. In the winter of 2001-2002, the average American family spent \$551 to heat its home. These winter heating costs increased by 22% in 2002-2003, 5% in 2003-2004, and 14% in 2004-2005, to an average of \$786 per family. The U.S. Energy Information Administration is now reporting that price increases for heating fuels will be even steeper during the coming winter, with costs expected to increase by an average of 25%, over \$200 higher per family compared to last year.¹ Some forecasters have predicted a colder than average winter.² If this occurs, it will result in even higher prices and higher expenditures.³

These increased heating prices will have an impact on individual families and on the broader economy. Families will be forced to spend additional money on heating fuel each month, cutting back on other expenses and turning down the thermostat. The increased prices will trickle through the economy as a whole, increasing inflation and reducing consumer expenditures in other areas.⁴ One analyst concluded simply: “We’re going to have a winter of discontent.”⁵

The increased heating fuel prices will have their greatest impact on low-income families and seniors on fixed incomes. According to the National Energy Assistance Directors Association, many low-income families “will have few choices but to cut back on essential necessities, such as medicine, food, and clothing.”⁶ A survey conducted by the organization found that almost 50% of low-income families were unable to pay their home energy bills in the last year. Others could pay their bills, but only after making severe sacrifices: one in three

¹ U.S. Energy Information Agency, *Short Term Energy Outlook* (Dec. 6, 2005).

² *Cold, Expensive Winter Forecast*, Reuters (Oct. 17, 2005).

³ U.S. Energy Information Agency, *Short Term Energy Outlook and Winter Fuels Outlook* (Oct. 12, 2005).

⁴ *Inflation Jumped 1.2% in September to a 25-Year High*, Maryland Times (Oct. 15, 2005).

⁵ *Id.*

⁶ National Energy Assistance Directors Association, *Home Heating Costs Projected to Hit Record Levels This Winter; Grim Forecast for Low Income Families* (Sep. 9, 2005).

low-income families sacrificed necessary medical care to pay their increased heating costs; one in five went without food for at least one day to pay these costs; and almost one in six reported illnesses due to their inability to heat their homes.⁷

The primary federal program providing assistance to low-income households to pay high heating bills is the Low Income Home Energy Assistance Program (LIHEAP). The program has been hamstrung, however, by inadequate funding. Nationwide, less than one in five eligible LIHEAP beneficiaries (18%) received assistance in FY 2005.⁸

The shortfall in LIHEAP funding may become more severe this winter. Significant funding increases are needed just to keep pace with rising fuel prices.⁹ Yet the President's budget called for a \$200 million cut in funding compared to last year.¹⁰ Although LIHEAP's final budget has yet to be determined by Congress, efforts by Democrats in Congress to provide full funding have been defeated.¹¹

⁷ National Energy Assistance Directors Association, *2005 National Energy Assistance Survey Report Key Findings* (2005).

⁸ National Energy Assistance Directors Association, *Estimated LIHEAP Recipients As A Percentage of Eligible Households (FY 2005)* (2005).

⁹ Experts have estimated that the LIHEAP program would require an additional \$3.2 billion in FY 2006 to serve all eligible families and to keep up with increasing fuel costs. Center on Budget and Policy Priorities, *Out in the Cold: How Much LIHEAP Funding Will Be Needed to Protect Beneficiaries from Rising Energy Prices?* (Oct. 20, 2005).

¹⁰ Office of Management and Budget, *FY 2006 Budget* (Feb. 2005).

¹¹ On October 4, 2005, Senators Edward Kennedy and John Kerry offered an amendment to the HHS appropriations legislation that would have increased LIHEAP funding by \$3.2 billion. This amendment was rejected, with 49 Senators voting for it and 51 voting against it. U.S. Senate, *Roll Call Vote, Motion to Waive CBA re: Emergency Designation on Kerry Amdt. No. 2033; To provide for appropriations for the Low-Income Home Energy Assistance Program*. (Oct. 5, 2005). In the House, a similar amendment, by Reps. Rush, Green, and Markey was offered as the Committee on Energy and Commerce marked up the Committee's budget reconciliation legislation. This amendment also failed, on a party line vote, with 21 members voting for it and 28 against. Committee on Energy and Commerce, *Full Committee Markup considering Title I, the Digital Television Transition Act of 2005; and to consider Title II, which will consist of Medicaid, Katrina health relief, and Katrina energy relief, Amendment #2* (Oct. 25, 2005).

PURPOSE AND METHODOLOGY

This report was prepared for Rep. G.K. Butterfield, who represents the 1st Congressional District of North Carolina in the U.S. House of Representatives. The district is located in northeast North Carolina, and includes the communities of Goldsboro, Rocky Mount, Wilson, and Greenville. At the request of Rep. Butterfield, the report estimates the impact of increased heating costs on families in his congressional district.

The analysis in the report of the impact of high heating costs relies upon (1) data from the U.S. Census indicating the number of households in the congressional district that use natural gas, heating oil, and propane for heating and (2) data from the U.S. Energy Information Administration estimating the extent to which costs for these fuels will increase this winter compared to their costs last year and their costs four years ago. The Energy Information Administration data provide regional estimates of the anticipated increase in fuel costs. The analysis assumes that the cost increases in the congressional district are the same as the cost increases in the region as a whole.

The report also includes estimates of both the number of families in the district that are eligible to receive assistance under LIHEAP and the number of families in the district that are likely to actually receive such assistance. These estimates are based upon (1) eligibility data from the U.S. Census and (2) data on the estimated funding shortfall from the Center on Budget and Policy Priorities and the National Energy Assistance Directors Association.

FINDINGS

High Home Heating Costs Will Affect Over 100,000 Local Families

This winter's increased heating fuel costs will affect thousands of families in Rep. Butterfield's district, costing them hundreds of dollars each.

Data from the U.S. Census show that there are 44,000 families in Rep. Butterfield's district that rely on natural gas for their home heating.¹² Four years ago, these families spent an average of \$429 to heat their homes.¹³ This winter,

¹² U.S. Census, *House Heating Fuel (Data by Congressional District)*, Census 2000 Summary File 3 (2000).

¹³ U.S. Energy Information Administration, *supra* note 1 (Midwest region estimate).

their heating costs are expected to average \$921 — an increase of \$492 (115%).¹⁴ Over half of this increase — \$252 — has occurred just in the last year.¹⁵ Over the last four years, the cost of natural gas in Rep. Butterfield's district has risen almost ten times faster than the inflation rate.¹⁶

There are 27,000 families in Rep. Butterfield's district using heating oil for their home heating.¹⁷ Four years ago, these families spent an average of \$387 to heat their homes.¹⁸ This winter, their heating costs are expected to average \$947 — an increase of \$560 (145%).¹⁹ Over one-third of this increase — \$202 — has occurred just in the last year.²⁰

In addition, there are 54,000 families in Rep. Butterfield's district using propane for their home heating.²¹ Four years ago, these families spent an average of \$611 to heat their homes.²² This winter, their heating costs are expected to average \$1,084 — an increase of \$473 (77%).²³ Over one-third of this increase — \$163 — has occurred just in the last year.²⁴ Figure 1.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Since December 2001, inflation has increased by 12%. Bureau of Labor Statistics, *Consumer Price Index – All Urban Consumers* (Dec. 2005).

¹⁷ U.S. Census, *supra* note 12.

¹⁸ U.S. Energy Information Administration, *supra* note 13.

¹⁹ *Id.*

²⁰ *Id.*

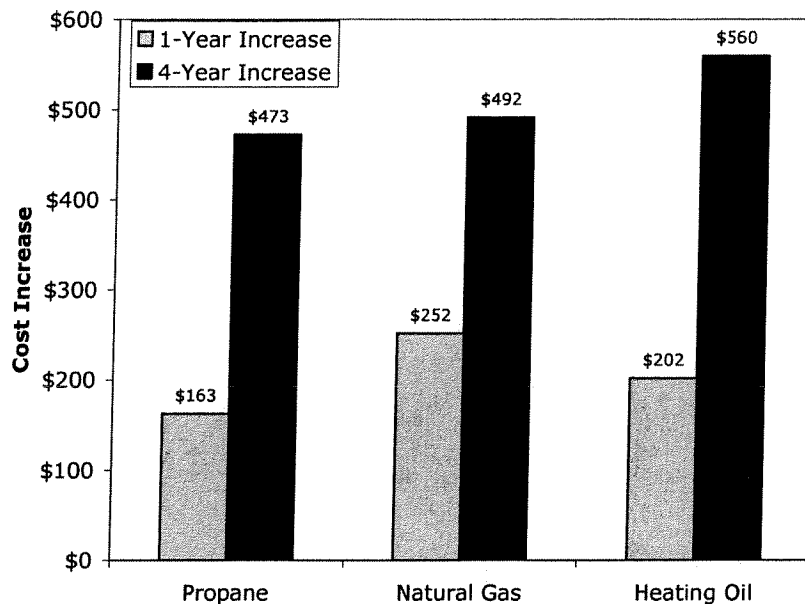
²¹ U.S. Census, *supra* note 12.

²² U.S. Energy Information Administration, *supra* note 13.

²³ *Id.*

²⁴ *Id.*

Figure 1: Figure 1: Home Heating Costs Have Increased By Hundreds of Dollars in Rep. Butterfield's District



There are 105,000 families in Rep. Butterfield's district that use electric heat for their home heating.²⁵ Four years ago, these families spent an average of \$616 annually to heat their homes.²⁶ This winter, their heating costs are expected to average \$740 — an increase of \$124 (20%).²⁷ There are also approximately 7,400 families in Rep. Butterfield's district that use other fuels, including solar power and wood.²⁸ These families are not expected to see significant price increases for these fuels.

²⁵ U.S. Census, *House Heating Fuel (Data by Congressional District)*, Census 2000 Summary File 3 (2000).

²⁶ U.S. Energy Information Administration, *supra* note 13.

²⁷ *Id.*

²⁸ U.S. Census, *supra* note 12.

High Home Heating Costs Will Cost Local Families Over \$60 Million

In Rep. Butterfield's district, the cumulative costs of higher home heating bills will be large. In total, 125,000 local families will pay higher costs this winter for natural gas, propane, and heating oil. Compared to their costs four years ago, the aggregate increased cost for these families is estimated to be approximately \$62 million. This is an average of almost \$500 per family. Almost half of this cost increase, \$25 million (\$203 per family), has occurred in the last year.

Some forecasters have predicted that this winter will be colder than average. If this occurs, heating costs for local families will further increase. A cold winter will increase fuel consumption, as families will have to burn more fuel to keep their homes warm. In addition, the increased demand will drive up fuel prices even higher. The Energy Information Administration is predicting that, compared to their prices four years ago, home heating costs will increase by \$748 for families in the region that use natural gas in the event of a cold winter.²⁹ The cost increases for families that use propane gas and heating oil are even steeper, \$787 and \$819 respectively.³⁰

Compared to their heating costs four years ago, the total increased heating costs for families in Rep. Butterfield's district that use natural gas, heating oil, or propane would be approximately \$97 million if there is a colder than average winter. This is an average of \$780 per family.

Over 70,000 Eligible Local Families Are Unlikely to Receive Assistance With High Home Heating Costs

Last year, there were 840,000 low-income families in North Carolina eligible to receive financial assistance with home heating costs through the federal Low Income Heating and Energy Assistance Program (LIHEAP).³¹ Approximately 73% of these families — almost 615,000 families — did not receive the LIHEAP assistance for which they were eligible because of funding shortfalls.³²

²⁹ U.S. Energy Information Administration, *supra* note 3 (Midwest estimates).

³⁰ *Id.*

³¹ National Energy Assistance Directors Association, *supra* note 8.

³² *Id.*

In Rep. Butterfield's district, there are approximately 97,000 families eligible to receive LIHEAP assistance.³³ Assuming the same coverage rates as last winter, an estimated 71,000 of these local families will not receive assistance.³⁴

The actual number of eligible families in Rep. Butterfield's district who do not receive LIHEAP assistance may be even greater than 71,000. If LIHEAP funding levels are cut (as the President proposed) or do not increase significantly, LIHEAP funding will not keep pace with the rising fuel costs, which will force further cuts in assistance.

CONCLUSION

This report analyzes the impact of rapidly increasing costs for home heating fuels in Rep. Butterfield's congressional district. It finds that increasing prices will cause district families to spend hundreds of dollars more to heat their homes. Districtwide, increased heating prices are likely to cost 125,000 local families an additional \$62 million more this winter than four years ago — and even more in the event of a cold winter. Although the federal heating assistance program was designed to provide low-income families with help in paying these high costs, underfunding of the program means that an estimated 71,000 eligible families in Rep. Butterfield's district are unlikely to receive assistance from the program.

³³ U.S. Census, *LIHEAP Eligibility by Congressional District* (2005). The Census analysis is based on 2000 Census data, which showed that 851,000 families statewide were eligible for LIHEAP assistance, 11.6% in Rep. Butterfield's district. In this analysis, the data were adjusted to 2005 eligibility levels, with the assumption that in 2005, 11.6% of statewide LIHEAP eligible families will be in Rep. Butterfield's district.

³⁴ This estimate assumes that the percentage of eligible households in the district that receive no assistance is the same as the percentage of eligible households in the state that receive no assistance.